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## **Kazakhstan: Power Sector Reform**

POOL Funds Administrator

*Prepared for*

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## POOL FUNDS ADMINISTRATOR

### 1 Introduction

- 1 1 This document contains the agreed procedures (“Procedures”) for the following
  - 1 1 1 the principles and objectives of the Pool Funds Administrator (PFA) of the Power Pool of Kazakstan (POOL),
  - 1 1 2 the institutions involved in the PFA and their rights and responsibilities,
  - 1 1 3 the obligations which the PFA impose on POOL Members (Members) and the banking arrangements which are used,
  - 1 1 4 detailed description of the banking procedures of the PFA,
  - 1 1 5 the financial accounting procedures which are used to record, monitor and report on the banking procedures of the PFA, and
  - 1 1 6 the action to be taken in the event of non-payment by a Member
- 1 2 The Procedures relate to the process for the transfer of funds between Members as defined in the POOL Charter, the POOL Members Agreement and the POOL Market Rules They do not relate to the internal accounting, management and financial reporting of any individual Member
- 1 3 The Procedures do not relate to the Accounting System of the Article 7 of the POOL Members Agreement which is used by the Settlement System Administrator in the calculation of operational costs and administration of the Settlements System

### 2 Terms and Definitions

- 2 1 All capitalized terms in these Procedures for the PFA have the definitions given to them in the POOL Members Agreement Additional terms used in this document have the following meaning

Bank Account	Account opened at a bank approved by the Members
Cash Book	An accounting ledger that records movements in, and the balance on, a bank account

Collecting Bank	A bank operating Transit sub-accounts of the Pool Clearing Bank Account under terms of special collection arrangements
Generator Payment Date	The day on which the Pool Funds Administrator instructs transfer of funds to Generators
Invoice	Notification to a Member of amount due to be transferred between the Member's Transit sub-account and the Pool Clearing Bank Account relating to transactions with the POOL
Ledger Book Record	A financial accounting book used to record all transactions between the POOL and a Member
Operational Bank Account	A bank account of a Member
Payment Notification Date	The day on which the Pool Funds Administrator notifies Suppliers and Generators of payments to be made on their relevant Payment Dates
Pool Clearing Bank Account	The central bank account through which all payments related to the Pool are made
Pool Reserve Account	The sub-account of the Pool Clearing Bank Account in which Members' Advance Payments are held
Settlement Procedure	Procedures followed by the Settlement System Administrator as set out in the Members Agreement and the Pool Market Rules
Supplier Payment Date	The day on which the Pool Funds Administrator instructs transfer of funds from Supplier's Transit sub-accounts to the Pool Clearing Bank Account
Transfer Order	An instruction issued by a Member to the Pool Funds Administrator ordering a specific balance to be transferred to the credit of another Member
Transit Bank Account	A bank account relating to special collection procedures

Working Day

A day on which the banking system in Kazakhstan will permit transfers of funds

### **3 Principles and Objectives of the Procedures**

3 1 This Article sets out the following

3 1 1 the principles underlying the Pool Funds Procedures,

3 1 2 the relationship between these Procedures and other Pool Documents,

3 1 3 the implementation of the Pool Funds Procedures, and

3 1 4 special collection procedures required of Suppliers and Customers

3 2 The following principles will guide the operation and responsibilities involved in the implementation of these Pool Funds Procedures

3 2 1 the Procedures must provide a transparent mechanism by which payments are made and recorded,

3 2 2 the Procedures must ensure that it is possible to calculate on a daily basis

3 2 2 1 receipts into each Supplier's Transit Bank Account and subsequent transfer to the Pool Clearing Bank Account,

3 2 2 2 payments to each Generator, to the Ancillary Service Providers and to the Network Service Providers,

3 2 2 3 total receipts and payments, and

3 2 2 4 a balance for the POOL of amounts owing from each Supplier and Customer and of amounts owed to each Generator and Service Provider,

3 2 3 the Procedures must provide a replacement mechanism for dealing with receipts and payments between Members which is maintained separately from any existing procedures, and

3 2 4 all actions carried out in the funds transfer process shall be in accordance with these Procedures, each action must be subject to authorization and be supported by adequate documentation to allow a full audit trail to be

constructed

- 3 3 The Procedures apply to all Members equally
- 3 4 The Pool Funds Administrator administers and monitors the Procedures on behalf of the Board and all Members. The funds remain the property of the Members in total and are held in trust for them by the PFA, and the PFA does not obtain legal title to those funds except where a transfer is made to a sub-account of the Pool Clearing Bank Account under the terms of this Procedure
- 3 5 This PFA forms Article 8 of the POOL Members Agreement, and will be governed by all of the rights and obligations of that Agreement
- 3 6 The provisions of these Procedures shall take effect from \_\_\_\_\_. From this date all payments relating to the Pool shall be settled in accordance with these Procedures
- 3 7 Special collection procedures may be instituted as follows
  - 3 7 1 Customers may make payments into the relevant Supplier's Transit or escrow sub-account of the Pool Clearing Bank Account according to the terms of agreements between the supplier and the customer. The funds contained in a Supplier's Transit sub-account shall remain the property of the Supplier, but may not be withdrawn without the consent of the PFA,
  - 3 7 2 The PFA will instruct the Pool Banker to transfer funds from the Supplier's Transit sub-account to
    - 3 7 2 1 the Pool Clearing Bank Account in accordance with Invoices issued by the PFA, and
    - 3 7 2 2 the Supplier's Operational Bank Account in accordance with special permission of the PFA
  - 3 7 3 Each Member must notify the PFA of the designation and location of, and the means of making deposits in, its own Operational Bank Account

#### **4 Institutions**

The roles, responsibilities and obligations of the institutions involved in the Procedures are given in this Article 4, in accordance with the authority of the POOL Members Agreement

- 4 1 The Systems Settlements Administrator (SSA)

The SSA is a department of the POOL and is responsible for the commercial operation of the POOL. Its obligations are set out in detail in Article 7 of the POOL Members Agreement.

4.1.1 The main functions of the SSA relevant to the Procedures are to

4.1.1.1 collect and verify all metered data,

4.1.1.2 determine hourly market prices,

4.1.1.3 publish initial settlement reports to all Members,

4.1.1.4 finalize data and resolve disputed payments,

4.1.1.5 publish final settlement reports to Members, and

4.1.1.6 prepare summary information to enable production by the PFA of daily invoices to be sent to Members.

4.1.2 The SSA must be under the direction of a competent manager who establishes timely, effective and reliable communication channels with all Members. The SSA must be staffed by a number of trained staff familiar with the software used for both the dispatch and the settlements calculations, and the methods of data collection.

4.2 The Pool Funds Administrator (PFA)

The PFA has prime responsibility for executing the Pool Funds Procedures on behalf of the POOL.

4.2.1 The main functions and the obligations of the PFA are as follows:

4.2.1.1 maintain Ledger Book Records for all Members'

4.2.1.2 prepare invoices from summary information provided by the SSA and send to Members,

4.2.1.3 instruct transfers from Collecting Banks to the Pool Bank Accounts,

4.2.1.4 receive and reconcile transfer notifications from Collecting Banks,

4.2.1.5 instruct and monitor transfers within bank accounts at the Pool Bank,

4 2 1 6 update Member Ledger Book Records on receipt of properly authorized Transfer Orders,

4 2 1 7 instruct transfers to Generators and Service Providers,

4 2 1 8 send notifications and reconcile bank accounts,

4 2 1 9 monitor level of Advance Payments and ensure that these are maintained to the level stipulated by the Board,

4 2 1 10 monitor and enforce Supplier Special Collection Procedures, and

4 2 1 11 initiate Suspension and Termination procedures for defaulting Suppliers by notifying the Board

4 2 2 The PFA must be under the direction of an accountant with experience in the operation of the banking system in Kazakhstan. The operating staff of the PFA should have appropriate financial and accounting qualification.

#### 4 3 The Pool Banker

The Pool Banker is appointed by the Board to maintain the Bank Accounts required by the POOL and to make the transfers of funds according to instructions given by the PFA under this Procedure.

4 3 1 The obligations of the Pool Banker relevant to the PFA are

4 3 1 1 maintenance of Bank Accounts required to operate the Pool,

4 3 1 2 recording of receipts from customers of Members and notifying totals to PFA and Members,

4 3 1 3 preparing daily balances on Bank Accounts and notifying balances to PFA,

4 3 1 4 making transfers of funds between Bank Accounts used to operate the Pool with the time scale required by this Procedure

4 3 2 The Pool Banker must identify a single individual within their organization who will be responsible for the coordination of all of the banking transactions required by the Pool. This individual may be called to account as the Pool Banker by the Board.

4 3 3 Prior to its appointment the Pool Banker must demonstrate, to the satisfaction of the Board

4 3 3 1 that it has an acceptable credit rating,

4 3 3 2 that it has sufficient capital to guarantee the payments required under the Pool arrangements, and

4 3 3 3 that it has sufficient trained staff to perform all of the tasks required under the Pool arrangements, including providing a full audit trail for all receipts and payments

#### 4 4 The Pool Auditor

The Pool Auditor is appointed by the Board to provide assurance that the Pool is being operated in accordance with the provisions of the POOL Members Agreement and the POOL Charter

4 4 1 The principal obligations of the Pool Auditor relevant to the PFA are to

4 4 1 1 monitor the operation of the PFA,

4 4 1 2 report to the Board on the operation of the PFA and the PFA's performance,

4 4 1 3 undertake any specific investigations requested by the Board, and

4 4 1 4 publish its reports to all Members on a timely basis

4 4 2 The Pool Auditor must be an internationally recognized firm of accountants Staff responsible for the direction and management of the Pool Audit must be accountants with a qualification awarded by and internationally recognized accounting body

## 5 Structure of Bank Accounts

The bank accounts which must be maintained by the PFA are detailed in this Article 5, as are their relationship to the bank accounts maintained by the Members and the information which must be recorded by the PFA

5 1 The Pool Clearing Bank Account

- 5 1 1 The PFA shall open the Pool Clearing Bank Account with the Pool Banker in the form of a Transit Account. The Pool Clearing Bank Account shall be opened as the central bank account through which all payments relating to the Pool shall be made.
- 5 1 2 The Pool Clearing Bank Account shall be administered by the Pool Banker on behalf of the PFA. The Pool Banker shall provide to the PFA all information required by this Procedure.
- 5 1 3 The PFA shall exclusively determine what funds are to be transferred between which Members in accordance with the Cash Payment Orders set out in Article \_\_\_\_\_. The PFA shall instruct the Pool Banker to make the appropriate funds transfers. The content of the instruction shall be in accordance with Schedule \_\_\_\_ of this Procedure as agreed by the Board. No party other than the PFA shall have any rights over the Pool Clearing Bank Account.
- 5 1 4 Funds held in the Pool Clearing Bank Account shall be held in trust for the Members and administered by the POOL. There is no right of withdrawal for the Members without authorization from the PFA.
- 5 2 Member Sub-Accounts
  - 5 2 1 The PFA shall open Transit sub-accounts of the Pool Clearing Bank Account with the Pool Banker following the Procedures. The PFA shall open a separate sub-account for each Member in the form of an escrow account.
  - 5 2 2 The PFA must notify each Member of the location and designation of its sub-account and the method by which deposits must be made.
- 5 3 Pool Reserve Sub-Accounts
  - 5 3 1 The Board may require Suppliers to deposit an Advance Payment with the Pool Banker as a means of guaranteeing payment by the Supplier of its purchases. The level of the Advance Payment will be determined by the Board and notified to the Supplier and the PFA according to these Procedures.
  - 5 3 2 Suppliers who are required to make Advance Payments must deposit funds in their designated Pool Reserve sub-account. The funds deposited shall remain the property of the Member making the deposit, although the Member has no right of withdrawal without permission of the PFA.
  - 5 3 3 The PFA must notify each Supplier of the location and designation of the Pool

Reserve sub-account and the method by which deposits must be made

5 4 Letters of Credit

5 4 1 The Board may require Suppliers to provide a Letter of Credit in addition to cash deposits in the Pool Reserve sub-account to guarantee their payment for purchases. The level of funds to be made available under a Letter of Credit will be determined by the Board and notified to the Supplier and the PFA in accordance with these Procedures.

5 4 2 The Supplier must provide a Letter of Credit in the form of these Procedures and deposit it with the Pool Banker, providing all relevant details to the Pool Banker and the PFA to allow the PFA to instruct the Pool Banker to draw on the funds.

**6 Daily Payments**

The details of the procedures for determining which payments are due and for making those payments are given in this Article 6.

6 1 Settlement of the Pool takes place on each calendar day with payments being made for a 7 day payment period on a Working Day. The time scale of the Settlements System is as follows for a given Schedule Day (Day 0)

6 1 1 SSA Responsibilities

- |                 |  |
|-----------------|--|
| 6 1 1 1 Day -1  | Submission of generator and load price bids, calculation of the Dispatch Schedule, estimation of System Marginal Price and determination of System Average Price |
| 6 1 1 2 Day 0   | Dispatch of System in accordance with the Market Rules   |
| 6 1 1 3 Day +2  | Collection of metered data and receipt of information from the Dispatch Log  |
| 6 1 1 4 Day +4  | Calculation of Settlement Schedule   |
| 6 1 1 5 Day +6  | Publication of Provisional Settlement Determination to Members   |
| 6 1 1 6 Day +14 | Publication of Final Settlement Determination to   |

Members and summary information required to produce Member invoices given to PFA

6 1 2 PFA Responsibilities

6 1 2 1 Day +16 Preparation and publication of invoices to Members by PFA (Payment Notification Day)

6 1 2 2 Day +18 Payments by Suppliers and Customers must be deposited in the Pool Clearing Bank Account (Supplier Payment Day)

6 1 2 3 Day +19 Payments by the Pool Clearing Bank to Generators and Service Providers (Generator Payment Day)

6 1 3 Because payments can only be made on Working Days, it is acknowledged that the Payment Dates are indicative only and that

6 1 3 1 the Supplier Payment Day is two Working Days following the Payment Notification Day, and

6 1 3 2 the Generator payment Day is three Working Days following the Payment Notification Day

6 1 4 Not later than one week before the start of an accounting year the PFA shall prepare a Payments Calendar showing for each Schedule Day the related

6 1 4 1 Payment Notification Day,

6 1 4 2 Supplier Payment Day, and

6 1 4 3 Generator Payment Day

6 1 5 The Payments Calendar shall be distributed to each Member, the SSA and the relevant State regulatory authority

6 2 Invoicing

6 2 1 Charges to Suppliers and Customers and payments to Generators and Service Providers under the Pool for a Schedule Day are determined by the SSA, using the Settlement System in accordance with the Market Rules. The SSA will produce summary information which is given to the PFA on completion of

the final Settlement Determination This summary information will permit the PFA to produce daily invoices for each Member

6 2 2 The PFA shall send invoices to Members on the Payment Notification Day All Invoices issued by the PFA shall also reflect the balance of the Member's Ledger Book Records as at the relevant Payment Notification Day

6 2 3 Suppliers are responsible for sending invoices to their own customers

## 7 Payments

### 7 1 Transfers to Members Sub-Accounts

7 1 1 Funds are to be transferred from Members' sub-accounts to the Pool Clearing Bank Account by the following procedure

7 1 1 1 at noon on each Supplier Payment Day the PFA shall issue an instruction for the Pool Banker to transfer the funds shown as Total Supplier Payment from the Transit sub-account of the Member to the Pool Clearing Bank Account If sufficient funds are not available in the Member's sub-account, the Pool Banker shall immediately notify the PFA by 13 00 who shall initiate the Procedures for Non-Payment described in Article 7 \_\_

7 1 1 2 at noon on Generator Payment Day the PFA shall issue instructions to the Pool Banker to transfer funds from the Pool Clearing Bank Account to Members' Operational Bank Accounts consistent with the amounts shown on the relevant invoices produced by the PFA

### 7 2 Banking Returns

7 2 1 For each Supplier sub-account the Pool Banker shall report to the PFA, at noon each Working Day, in respect to the previous Working Day

7 2 1 1 the total receipts from customers,

7 2 1 2 total instructed and actual transfers to the Pool Clearing Bank Account,

7 2 1 3 total instructed and actual transfers to the Operational Bank Account of the Member, and

7 2 1 4 opening and closing balances

7 2 2 For the Pool Reserve sub-accounts, the Pool Banker shall report to the PFA, at noon each Working Day, in respect to the previous Working Day

7 2 2 1 deposits made by each Member,

7 2 2 2 instructed and actual transfers from the Pool Reserve sub-accounts in respect to each Member and

7 2 2 3 the opening and closing balances of the account

7 2 3 For the Pool Clearing Bank Account, the Pool Banker shall report to the PFA, at noon each Working Day, in respect to the previous Working Day

7 2 3 1 instructed and actual transfers from or to each Member's sub-account,

7 2 3 2 instructed and actual transfers from the Pool Reserve sub-accounts, and

7 2 3 3 opening and closing balances

7 2 4 The Pool Banker shall have responsibility for ensuring consistency between all information reported in these banking returns. The information within these returns shall be sent to the relevant State regulatory agency and to each Member on request on each Working Day

7 2 5 The PFA shall be responsible for detecting any errors or omissions that it could be reasonably expected to detect in the data supplied to it by the SSA and the Pool Banker

7 3 Procedures for Non-Payment

7 3 1 In the event that a Supplier has transferred insufficient funds to its Pool Clearing sub-account, the PFA shall transfer the shortfall from the Supplier's Pool Reserve sub-account. The PFA shall then issue a notice to the Supplier stating that its Advance Payment must be restored to its required level by noon of the next Working Day

7 3 2 In the event that there is insufficient cash in the Supplier's Pool Reserve sub-account balance, the PFA shall utilize the Supplier's Letter of Credit to make good the shortfall. The PFA shall then issue a notice to the Supplier stating that its Letter of Credit facility must be restored to the level stipulated by the

Board by the end of the Working Day

7 3 3 If the Supplier's Advance Payment and funds drawn under the Letter of Credit are not sufficient to make good the shortfall, then

7 3 3 1 the Supplier's Pool Membership shall be suspended under Article 14 of the POOL Members Agreement,

7 3 3 2 total receipts in the Pool will not be sufficient to meet total payments due on the relevant Generator Payment Day. In this case the available funds for the day will be applied to creditors under specified priority levels and pro-rata rules. The form of these rules are given in Appendix \_\_. If the outstanding payment is not made within two days of the date due, the Supplier shall be deemed to be in default. The Supplier shall be charged interest on the outstanding balance at \_\_ basis points above the prime interest rate of the National Bank of Kazakhstan for each day it is deemed to be in default,

7 3 3 3 if the Supplier fails to make good the shortfall plus interest within 28 days, then the provisions of Article 14 of the Pool Membership Agreement shall apply in respect to the Supplier's Termination

7 3 4 If the Supplier does not restore its Advance Payment to the level determined by the Board within 5 days, the PFA shall notify the SSA and the Board of this and the Supplier's Pool Membership shall be subject to suspension. If it is not restored within 28 days, the PFA shall notify the SSA and the Board of this and Supplier shall be subject to Termination. In the event of suspension or termination, the Board is obligated to inform its customers of the situation

7 3 5 If an Independent Supplier is subject to a Termination, it shall be deemed that its customers will be passed to the Supplier in whose geographical area they are located. The SSA and PFA shall revise their records accordingly

7 3 6 If a regional distribution company is subject to a Termination, customers will be either,

7 3 6 1 passed to an alternative, neighboring Supplier to be determined by the relevant State regulatory agency, or,

7 3 6 2 if a new owner is found which is willing to assume the liabilities and responsibilities of the regional distribution company, and who qualifies

for the licenses of Supplier and Distribution Network Operator and as a Pool Member, this new owner may become the new regional distribution company and the new Supplier

7 3 7 The Board after notification from the PFA shall have the obligation to enter into legal proceedings against any Member subject to Termination through outstanding debts

7 3 8 If the Supplier is subject to a Termination, for internal accounting purposes its outstanding debt shall be deemed to be a Bad Debt after a period of three months has elapsed After this period, the debt will be recovered via a surcharge on the Wholesale Market Price If any subsequent funds are recovered in relation to a Bad Debt, then they will be used to reduce this surcharge on the Wholesale Market Price

#### 7 4 Overpayment

7 4 1 Treatment in the case of a Member making an overpayment is treated in Appendix \_\_\_

7 4 2 If a Member receives an Overpayment from the PFA, they shall notify the PFA immediately and repay the amount by noon on the next Working Day The PFA shall then investigate and make any necessary adjustments within 7 Working Days If the Overpayment has not been declared by the Member receiving it, or was not discovered by the PFA within two Working Days of the Generator Payment Date, the Generator shall be obliged to repay the Overpayment and any accrued interest as soon as it is discovered The prime interest rate of the National Bank of Kazakstan shall be applied

### 8 Accounting Procedures

This Article 8 gives the details of the accounting procedures to be employed in the transfer of funds, including the provision of accruing unpaid amounts The objective of these procedures is to allow the PFA to determine the payment status of each Member on each day and to generate an audit trail which extends from invoice issue to payment for each transaction

#### 8 1 Updating Members' Ledger Book Records

8 1 1 A Ledger Book Record will be required to be kept in relation to each Member This will record all daily transactions and the current balance of the Members'

accounts The information will include

8 1 1 1 total amounts that are due to be received from Suppliers,

8 1 1 2 total amounts due to be paid to Generators,

8 1 1 3 the total due to be transferred to the Pool Operational Bank Account,

8 1 1 4 the total due to be transferred to the Service Providers, and

8 1 1 5 any other relevant Pool payments as defined in the Members Agreement, the Market Rules or as directed to be paid by the Board

8 1 2 The transfers required to take place on any day will not all relate to the same Schedule Day in the previous Payment Period, as discussed in Article 6 of the this Agreement

8 1 3 The SSA will each day detail the amounts that Suppliers are to be invoiced on that day This will relate to the schedule Day of the previous Payment Period This information will then be passed on the PFA who will produce invoices for Suppliers showing clearly the amount payable and the date on which it becomes payable

8 1 4 The information received from the SSA will then be entered in each relevant Member's Ledger Book Record by the PFA Receipts due from Suppliers will be entered into each individual Supplier's Ledger Book Record in the "value of electricity purchased" columns The payments due to Generators will update each individual Generator's "value of electricity sold" column in their Ledger Book Record, and amounts due to be paid to the Pool Operational accounts and the Service Providers' accounts will be used to update both their Ledger Book Records in the "amount owing" columns

8 1 5 A separate Ledger Book Record will be kept for each licensed activity of a Member There will be no set-off between such accounts

## 8 2 Accounting for Receipt of Funds

8 2 1 A listing will be required each day from the Pool Bank detailing amounts received in each Pool Clearing sub-account and confirming from whom the funds were received

8 2 2 Each Supplier Ledger Book Record will then be reviewed in conjunction with

the list of receipts to the Pool Clearing Sub-Accounts. The PFA will use this to determine which Suppliers have and have not paid the amount owing on that day, and if amounts received correspond to correct amounts outstanding.

- 8 2 3 All amounts that have been paid correctly will be transferred from the relevant sub-account to the Pool Clearing Account. An instruction to this effect will be required from the PFA to the Pool Banker.
- 8 2 4 For Suppliers that have paid the correct balance in cash an entry will be made in the Supplier's Ledger Book Record in the "cash received" column. This will clear the outstanding balance recorded in that Ledger Book Record. An entry for the same amount will also be made in the Pool Clearing Account Cashbook to acknowledge the receipt of funds.
- 8 2 5 Suppliers that have not paid by the end of the day, or have paid an incorrect amount, will be contacted immediately to determine the cause and to take all reasonable steps to remedy the position. If payment is not made in full by noon on the following Working Day then that Supplier is deemed to have defaulted on the debt, and interest shall be charged at the default interest rate on the unpaid balance.

### 8 3 Accounting for Defaulting Suppliers

For Suppliers who have defaulted on the previous day's payment, the following procedures will be applied:

#### 8 3 1 Drawing on the Market Reserves sub-account

- 8 3 1 1 The accounting entries required to be made are to transfer the outstanding balance from the "value of electricity purchased" column to the "owed to the Pool Reserve sub-account" column of the Member's Ledger Book Record. This recognizes that the electricity for the relevant day has been paid for, but that a new debt has been created, the amount owing to replenish the Member's Pool Reserve sub-account.
- 8 3 1 2 The amounts transferred will also need to be deducted from the relevant Pool Reserve sub-account cashbook and added to the Pool Clearing Account cashbook to mirror the transfer made.
- 8 3 1 3 The Member in default shall be required to make good its contribution to the Pool Reserve sub-account within 2 Working Days.

8 3 2 Accounting for Letters of Credit

8 3 2 1 If a Member's Letter of Credit is drawn upon then the corresponding accounting entries shall be as follows. The debt from the Supplier will be cleared from the "value of electricity purchased" column and the increase in cash in the Pool Clearing sub-account reflected in the corresponding cashbook. The records of the Letter of Credit will be updated to reflect the Supplier's obligation to expand and update the facility.

8 3 2 2 The PFA shall then notify the Supplier that its Letter of Credit has been drawn upon and that the facility must be restored so that the total available credit is again at the level stipulated by the Board. If this does not take place within 2 Working Days the PFA will institute default proceedings.

8 3 3 Accounting for reduced payments to Generators

8 3 3 1 to the extent that Letter of Credit facilities and Pool Reserve Accounts are utilized, then the same accounting entries are required as detailed above. Where payments to Generators are reduced under the proration rules given in Appendix \_\_, there will be no further net movement on the Pool Clearing Account, and hence no further cashbook entries are made. However, each affected Generator's Ledger Book Record will be updated to reflect amounts owing due to the shortfall in cash. This will be shown in the "amount owing from Supplier" column. An equal amount will be shown as "amount owing to Generators in the defaulting Supplier's Ledger Book Record".

8 4 Accounting for Payment to Generators

8 4 1 Each day the Pool will issue instructions for payment to generators. Before this can take place a check should be made to ensure that sufficient funds are available in the Pool Clearing Account. The PFA will determine all amounts owing to Generators on the day together with amounts owing to the Pool and Service Providers' accounts, and establish whether this is less than or equal to the current balance in the Pool Clearing Account as notified by the Pool Banker.

8 4 2 If there are sufficient funds in the Pool Clearing Account, then each Generator Ledger Book Record will be examined to determine amounts to be paid, and then the appropriate bank transfer instruction given. The amount paid to each

Generator will be recorded in both the Pool Clearing Account cashbook as notified and in the Generator's Ledger Book Record in the "payments made" column

8 4 3 In the case of under-receipt of funds from Suppliers, and consequently insufficient funds available in the Pool Clearing Account, Generator payments may ultimately need to be reduced and accounted for as above

8 5 Accounting for Payment of Common Costs

8 5 1 Following payment of Pool and Service Provider costs, the Pool and Service Provider Ledger Book Records will be updated by clearing the outstanding amount in the "amount paid" column. The Pool Clearing Account cashbook will also be updated to reflect the payments made

8 6 Interest Calculations

8 6 1 At the end of every day, interest calculations will be made on outstanding balances owing from Suppliers and to Generators. The amount on which to base the interest calculation will be determined from the relevant Member's Ledger Book Record. The resultant interest will be added to the balance on the Ledger Book Record, but recorded in a separate column so that the interest element of any debt is always separately identifiable

8 6 2 Interest will only be accrued (or charged) for days after the relevant Supplier or Generator Payment Date. An accounting entry will not be made until receipt or payment of funds is due, then all amounts that are recorded as outstanding will be eligible for interest penalties (for non-paying Suppliers) or compensation (for non-paid Generators) every day

8 6 3 The procedure at the end of every day will be to review every Supplier and Generator Ledger Book Record, and calculate, at the current Default Interest Rate, interest owing. Interest owing from a Supplier will be recorded in the "interest owed" column of the Supplier's Ledger Book Record, while interest owing to a Generator will be recorded in the "interest owing" column of the Generator's Ledger Book Record

8 6 4 Any interest that may be earned on the one day timing difference between the Supplier and Generator payment dates will be kept in a separate account. The balance of this account will be notified to the SSA who will use it to reduce the Pool charges to the Wholesale Market Price. Each Working Day interest received (if any) on the overnight balance held in the Pool Clearing Account

will need to be transferred from that account to an interest account and the cashbooks adjusted accordingly to reflect this

8 7 Reconciliation

8 7 1 The PFA will be required to carry out a daily reconciliation for each Members' Clearing sub-account, Ledger Book Record and Pool Reserve sub-account, together with the Pool Clearing Account in total. The reconciliations required are given in Appendix \_\_\_ and shall take into account the following

8 7 1 1 all banking returns provided by the Pool Banker,

8 7 1 2 payments due to or from the Member on the basis of invoices issued by the PFA,

8 7 1 3 overpayment or underpayment by any Member, and

8 7 1 4 any interest charges or payments due

8 7 2 In addition, the PFA shall carry out a reconciliation in respect to total Pool flows, specifically that

8 7 2 1 in total, bank account transfers for the day are consistent with opening and closing balances,

8 7 2 2 for all Suppliers, invoices less any recorded payment default plus any interest payments made plus total payments made match total payments transferred from Operational Bank Accounts,

8 7 2 3 for all Generators, invoices less any adjustment to payments for default less (plus) any interest payments due (made) equal total instructed transfers to Operational Bank Accounts

8 7 3 All such reconciliations and associated procedures shall be subject to review by the Pool Auditor

8 8 Reporting

8 8 1 Each day the PFA shall prepare the following reports

8 8 1 1 Cash Report, in a form requested by the Board,

8 8 1 2 Bank Account Report of the form shown in Appendix \_\_

8 8 2 These reports shall be provided free of charge to all Members and the relevant State regulatory agency, and to any other party on request at a fee to be determined by the PFA and agreed by the Board They shall be produced no later than the day following the Generator Payment Day

8 8 3 The PFA shall also be required to prepare monthly and annual reports of the above form